

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 ITC-01 L-03 SS-15 SP-02

CIAE-00 INR-07 NSAE-00 TRSE-00 STR-04 PM-04 DHA-02

/056 W

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P R 102222Z AUG 76

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 777

INFO AMEMBASSY BOGOTA

AMEMBASSY BUENOS AIRES

AMEMBASSY BRASILIA

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY QUITO

AMEMBASSY CARACAS

C O N F I D E N T I A L SANTIAGO 7768

E. O. 11652: GDS

TAGS: ECIN, XM, CI

SUBJECT: ANDEAN PACT DEVELOPMENTS

REF: A) STATE 196807; B) SANTIAGO 7536

1. WITH ALL RESPECT, WE ARE HESITANT TO GO TO THE CHILEANS IN THE SENSE INDICATED IN REF A, AT THIS PARTICULAR TIME. GOC KNOWS PERFECTLY WELL WHAT OUR POSITION ON FOREIGN INVESTMENTS, INTERNATIONAL TRADE POLICY, AND THE ANDEAN PACT IS. THEY ARE STILL SMARTING OVER THE RESTRICTIONS IN THE SECURITY ASSISTANCE ACT AND ARE EXASPERATED BY THE DRUMFIRE OF HUMAN RIGHTS CRITICISM FROM THE UNITED STATES. IN THEIR PRESENT SENSITIVE CONDITION, WE THINK THEY WOULD REGARD A DEMARCHE OF THE TYPE REQUESTED AS AN UNWARRANTED ACT OF INTERVENTION.

2. MOREOVER, OUR READING OF THE SITUATION IS SOMEWHAT DIFFERENT FROM THAT OF THE DEPARTMENT. WE REGARD CURRENT PHASE AS ESSENTIALLY TACTICAL, WITH PARTIES JOCKEYING FOR ADVANTAGE. WE THINK CHILEANS
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LOOK AT IT GENERALLY THE SAME WAY.

3. IN THIS CONNECTION, PERMANENT CHILEAN ANDEAN PACT REPRESENTATIVE ADELIO PIPINO TOLD EMBOFF AUGUST 9 THE "BREAKDOWN" OF RECENT COMMISSION MEETING IN LIMA MERELY REPRESENTS REACTION TO REITERATED CHILEAN POSITION ON ANDEAN PACT WHICH REMAINS AS FOLLOWS:

A) FUNDAMENTAL REFORM OF DECISION 24; AND B) MAXIMUM FLEXIBILITY OF COMMON EXTERNAL TARIFF /CXT). ON CXT, PIPINO STATED THAT CHILE WILL NOT BE A PARTY TO SETTING RATES WHICH WOULD PROTECT INEFFICIENT INDUSTRY. CHILE PREFERS XCT WHICH WOULD ALLOW SLIDING SCALE OR WIDE BANDS OF TARIFFS TO ACCOMMODATE EACH COUNTRY'S INDIVIDUAL REQUIREMENTS.

4. DURING EMBOFF'S TALK, PIPINO ASKED AT ONE POINT WHETHER EMBOFF WAS SEEKING INFORMATION OR EXPRESSING OFFICIAL CONCERN. PIPINO SUGGESTED US SHOULD DETERMINE ITS PRIORITIES. HE BELIEVES US OBJECTIVES SHOULD BE TO PREVENT DECISION 24 FROM IMPEDING FROEIGN INVESTMENT FLOWS, AND NOT TO ENCOURAGE INEFFICIENT DOMESTIC INDUSTRIES THROUGH EXCESSIVE PROTECTION. ACCORDINGLY, IN HIS VIEW, US SHOULD BE SUPPORTING CHILE.

5. AFTER VISIT OF ANDEAN PACT JUNTA TO CHILE, WHICH BEGAN AUGUST 9, EMBASSY WILL BE ABLE TO MAKE BETTER JUDGMENT ON THE NEGOTIATING SITUATION. MEANWHILE, AMBASSADOR WILL SEEK A GENERAL DISCUSSION OF ANDEAN PACT MATTERS WITH PRINCIPAL CHILEAN NEGOTIATOR, MINISTER OF ECONOMICS SERGIO DECASTRO.

6. WE WERE INTERESTED TO LEARN OF DEPUTY ASSISTANT SECRETARY GRUNWALD'S PROJECTED VISIT TO SANTIAGO AT END OF AUGUST. DELIGHTED TO HAVE HIM. PLEASE SEND TRAVEL DETAILS.
POPPER

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